



Director of  
Central  
Intelligence

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## National Intelligence Daily (Cable)

7 April 1982

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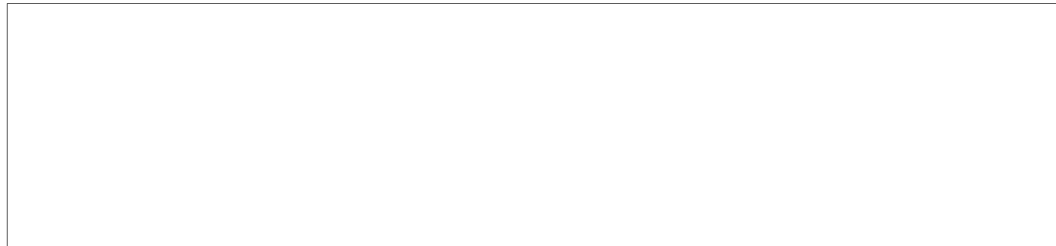
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ARGENTINA-UK: Military and Diplomatic Moves

*//Both the Argentine and British Governments are under domestic political fire for their handling of the Falklands issue, but preparations for a military showdown continue. Initial British plans apparently call for an assault on the islands after first engaging the Argentine fleet. Meanwhile, London has secured the backing of more of its friends and allies while several Argentine supporters are moving to head off a confrontation.//*

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Military Preparations

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*//In Argentina, troops, jet fighters, and supplies continue to be moved southward toward Rio Gallegos. These include a crack paratrooper regiment and a full squadron of fighter bombers.//*

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*Comment: //While the task force is en route to the Falklands, British military planners will be seeking solutions to the problems of getting troops ashore, neutralizing Argentine airpower, and acquiring critical intelligence.//*

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*//The Argentine deployments are in keeping with military plans to use southern Argentina, especially Rio Gallegos, as a staging area to the Falklands.//*

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Soviet Interest

*//Soviet media commentary on the dispute is taking a harsher line against the UK. An Argentine military official has told the US that a Soviet trade delegation that arrived in Buenos Aires last Friday for talks offered to expand economic dealings with Argentina and may have broached the subject of providing some military assistance. He also said the Soviets offered to provide Buenos Aires with intelligence support on UK military forces.//*

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Political Developments

//Prime Minister Thatcher firmly rejected opposition calls for her resignation yesterday amid charges that the government had advance warning of Argentine plans but failed to take action. Conservative members of Parliament gave Thatcher a "loud ovation" although numerous Tory backbenchers demanded that Defense Secretary Nott resign. A full-scale debate on the Falklands will be held today.// [redacted]

//Argentine officials are also concerned about their ability to control internal political developments. The Argentine Interior Minister who met with non-Communist political leaders yesterday in an effort to build civilian support for the invasion made some headway. The party leaders warned, however, that true national unity must be based on an acceptable economic policy and democratic government.// [redacted]

Comment: //The opposition may introduce a motion of censure but for now the Tories are inclined to rally behind Thatcher. A military setback or clear evidence that the government had advance warning of the invasion and did nothing to counter it, however, would lead to cabinet changes and could prompt Thatcher's fall as well.// [redacted]

//At this stage, Argentine politicians are not in a position to reject government appeals without discrediting themselves and slowing down the liberalization process. They are probably driving a hard bargain, however, in exchange for backing Galtieri's adventure. If an agreement can be reached, their stake in the success of the invasion and in Galtieri's survival will grow considerably.// [redacted]

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Diplomatic Activity

//The EC Commission has already publicly supported the British stand and is considering a request for sanctions. The Dutch and West German Governments have halted arms shipments to Argentina and the largest Austrian supplier of arms will follow suit.//

//In Latin America, Colombian, and Costa Rican leaders plan to ask the OAS Permanent Council to create a commission to study the Falklands controversy, and Panama's former chief canal negotiator has approached the US to mediate the dispute. Paraguay has tentatively decided that the provisions of the Rio Treaty calling for mutual aid in the event of attack by an outside power do not apply to the Falklands because Buenos Aires used force.//

Comment: //Santiago's foot-dragging reflects a reluctance to abandon its neutral position in advance of any possible conflict, but it no doubt hopes that Argentina will be taught a lesson that will keep it from resorting to similar tactics in the Beagle Channel dispute.//

//The economic steps taken by Bonn and The Hague will be welcomed in London, and are likely to be emulated by many other EC and NATO members. They form an important part of London's strategy of escalating diplomatic and economic pressure on Buenos Aires and of demonstrating Western support for the UK.//

//Diplomatic initiatives are likely to intensify as the British fleet approaches, and Paraguay's efforts to discourage invoking the Rio Treaty is likely to be repeated. Most countries are trying to find a way to end the dispute and avoid military involvements that could affect regional diplomatic relationships for years to come.//

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### Castro Favors Negotiations on El Salvador

President Castro, in a major address on Sunday, unequivocally committed Cuba to "work in the search for a negotiated political solution to the problems of El Salvador, Central America, and the area." He said that Cuba, as well as Nicaragua and the Salvadoran guerrillas, supported the Mexican peace initiative and claimed to have moderated his rhetoric in deference to President Lopez Portillo's suggestion. An unnamed "senior Cuban official" echoed Castro's message privately to journalists in Havana, baiting his remarks with the claim that Cuba does not see a "socialist solution" in Latin America in the short run, but rather "pluralism."

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Comment: Havana's growing interest in negotiations on El Salvador reflects the Castro regime's chagrin over the failure of the guerrillas to win a military victory, and a belief that maintenance of the status quo there is not to the guerrillas' advantage. Negotiations, on the other hand, provide time for the guerrillas to regroup and rebuild, offer the chance of political gains for insurgents, and--by prolonging the confrontation--buy time in which public opinion in the US can be exploited to undercut Washington's resolve on further military support for El Salvador. [redacted]

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Despite Cuban claims to have halted arms supplies to the Salvadoran rebels, Havana can be expected to continue to promote armed struggle in Central America. In addition, Havana will continue to try to develop private contacts with political and military leaders in the region to inflame personal and political rivalries and sow distrust of the US. [redacted]

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### Emergency Economic Measures in Nicaragua

In order to increase income to pay for new, unbudgeted expenses caused by the state of emergency decreed last month, the Nicaraguan Government has imposed new taxes on all assets--including Nicaraguan assets held abroad and foreign-owned assets in Nicaragua--and a 10-percent surcharge on all other taxes. The government

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also has banned all vacations for the duration of the emergency, including the traditional Easter holidays, to maintain production levels. [REDACTED]

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Comment: Continuing economic deterioration, heightened military preparedness, and Managua's belief that large sums are being held abroad caused the government to take these steps. Taxing assets will be particularly threatening to private-sector interests, which may regard the action as partial nationalization. [REDACTED]

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#### Honduras and Nicaragua Recall Ambassadors

Managua "urgently" recalled its Ambassador to Tegucigalpa on Monday after citing the Honduran Government's "inability" to stop cross-border raids by anti-Sandinista insurgents. Honduras responded by recalling its Ambassador to Nicaragua the following day. [REDACTED]

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Comment: These moves reflect the increasing level of tension between the two countries arising from stepped-up military and Nicaraguan insurgent activity along the common border. [REDACTED]

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CHINA-INDIA: Status of Normalization Talks

China has proposed that the next round of talks be held in New Delhi on 10 May to discuss border problems and overall bilateral relations. Both sides privately say that they do not expect substantial progress, but Beijing, in its public and private comments, is portraying recent Indian foreign policy moves in more positive terms. [REDACTED]

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Comment: At a minimum, the talks would give the Chinese another opportunity to increase Soviet concern about chances of improved relations between Beijing and New Delhi, while indirectly encouraging India to put more distance between itself and the USSR. The Indians expect tough bargaining, however, and may be reluctant to accept the early date proposed by the Chinese. [REDACTED]

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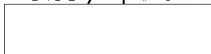
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VIETNAM: Foreign Minister's Travels

Vietnamese Foreign Minister Nguyen Co Thach arrives today in Paris to begin a two-week visit to Western Europe, including talks with EC officials in Brussels. He will then travel to Moscow and New Delhi. 

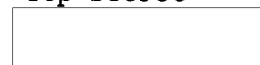
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Comment: //The Vietnamese probably hope the visits will result in new aid commitments and improved relations. West European concern, however, over Hanoi's recent problems in meeting debt payments and its inability to effectively use aid already received makes the possibility of major new assistance remote. Thach also is likely to ask the West Europeans to reconsider their refusal to recognize Vietnam's client regime in Phnom Penh, but they probably will not agree to do so.// 



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SPECIAL ANALYSIS

EL SALVADOR: The Military Balance

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*The guerrillas' failure to disrupt the elections and the high voter turnout have provided a major psychological boost to the government. The insurgents retain strong military capabilities, however, and a decisive change is unlikely soon. Meanwhile, the guerrillas probably will take advantage of the current political uncertainty over the composition and policies of the new government to attempt some spectacular action.*

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//The failure to disrupt the election and the unexpectedly high turnout dealt a major political and psychological blow to the insurgent cause. The insurgents expended considerable manpower and material in their effort to prevent the voting

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//The military balance, however, probably will not shift quickly and decisively in the government's favor. The insurgent's preparations to disrupt the election left them with better arms, more trained cadre, and new supply routes. The flow of the Cuban and Nicaraguan arms is likely to continue, although perhaps at a reduced volume. Despite the successful election, the insurgents still enjoy some degree of international political and propaganda support.//

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Military Improvements

//The Salvadoran military has strengthened its capabilities over the past year and appears to have gained ground on the insurgents. One of its greatest weaknesses had been insufficient manpower to conduct offensive operations while defending population centers and economic targets. Since last year, however, the Army has nearly doubled, and the combined strength of the military and security forces is now over 28,000.//

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//To improve command and control of this larger force, the Army has formed two additional brigade headquarters, bringing the current total to six. A quick-reaction battalion activated last year has been conducting increasingly effective sweep operations.//

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//Two additional quick-reaction units are in training, and regular infantry battalions throughout the country are being strengthened and reequipped with US M-16 rifles, machineguns, mortars, and recoilless rifles. In addition, the US is training 500 officer candidates in an effort to reduce a shortage of junior commanders.//

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//The acquisition of 14 UH-1H helicopters over the past year has made the Army much more mobile, allowing small units to be deployed by air and wounded personnel to be evacuated quickly. Although some helicopters were destroyed in an insurgent raid in late January, they were soon replaced, and the inventory is being expanded to 20.//

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//The Army, however, still has significant weaknesses. Soldiers often have to be rushed into combat before completing basic training. Coordination among large units is weak, generally allowing insurgents to escape sweep operations.//

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//Inadequate logistic support often forces the Army to end offensive operations prematurely. The government cannot interdict guerrilla supplies delivered by sea and air.//

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#### Insurgent Forces

//The guerrillas also have made considerable improvements over the past year. They still appear to have a regular force of between 4,000 and 5,000, and have a part-time militia of between 5,000 and 10,000.//

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//The insurgents have divided the country into five fronts, each with a commander and general staff. Guerrilla units are mostly concentrated in about eight base areas from which operations are launched. Within these

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eight base areas more than 40 well-defended guerrilla  
camps have been identified, and there may be many more.//

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### Current Situation

//The guerrillas need some spectacular successes to preserve their credibility and restore morale. They had hoped to seize the eastern cities of Usulután and San Francisco before the elections, but the failure of diversionary attacks elsewhere and the arrival of government reinforcements forced them to retreat. They nevertheless remain strong in these areas, and it will take a major government effort to dislodge them.//

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//In addition, the insurgents may try to take advantage of the initial political uncertainty surrounding the new constituent assembly. Nevertheless, guerrillas probably will remain on the defensive for some time.//

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